



Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Voluntary Report - public distribution

Date: 12/3/2002

GAIN Report #ID2038

Indonesia

Cotton and Products

Cotton Update

2002

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Report Highlights:

Indonesian cotton imports for MY01/02 totaled 513,000 MT or 2.36 million bales, down 10 percent from MY00/01. MY02/03 imports are estimated to increase slightly to 520,000 MT. The U.S. market share for cotton in Indonesia reached 35 percent in MY01/02, matching Australia, which historically has been the largest supplier. Cotton consumption remains stable at 500,000 MT or 2.3 million bales for MY01/02 and MY02/03. Major industry concerns include the overall economic situation, the export market climate and competition from China.

Includes PSD changes: Yes

Includes Trade Matrix: Yes

Unscheduled Report

Jakarta [ID1], ID

Imports

Indonesian cotton imports in MY01/02 (August - July) were 513,000 MT or 2.36 million bales, down nearly 10 percent compared to imports in the previous marketing year. The estimates of cotton imports in MY02/03 have been revised downward from the earlier estimates and are estimated to slightly increase in MY01/02 to 520,000 MT (2.38 million bales), due to expectations that several spinning mills will need to maintain or even reduce their production capacity, due to slower export sales.

Surprisingly, U.S. market share of Indonesia cotton imports during MY01/02 increased significantly to about 35 percent from 21 percent in the previous marketing year. Currently, the U.S. market share has reached the same level as Australia, which historically has been the largest supplier of cotton to Indonesia. Cotton trade sources report that many spinners have switched their imports to U.S. cotton due to its relatively low cost.

[Note: The PSD Table does not reflect the Indonesian Center Bureau of Statistics (BPS) data, for MY00/01 and MY01/02 as post feels their numbers overstate actual imports]

Consumption

Cotton consumption remains stable at 500,000 MT or 2.3 million bales for MY01/02 and MY02/03. Several mills are concerned with the economic situation in designated countries as their demand for Indonesian textile products will greatly affect total exports. According to Post textile mill sources, orders for the peak season indicate that export demands for Indonesian textiles have weakened.

Continued under invoicing of imported textiles products and smuggling of used clothes have severely hurt the local textile industry. The GOI has been accused of not being capable of curbing the illegal entrance of these products. However, the low purchasing power for the majority of Indonesians has resulted in increasing demand for used clothes. Indonesia has been a major buyer of used clothing from many countries.

Policy

Following repeated complaints by local producers and Indonesian Textile Association (API) over the smuggling of textile products and the increased flow of cheap imports, the Government of Indonesia through the Ministry of Industry and Trade (MOIT), recently issued a new decree No. 732/MPP/Kep/10/2002, to regulate the marketing of textile imports for 18 categorized (18 Harmonized System Code). Under this new decree, import licenses would only be issued to importer-producers, and not to general importers. The importer must seek approval from the MOIT for the amount and the time schedule of their imports, as well as report to the MOIT the realized value of their monthly imports. In addition, textile imports may only be used as raw material or supplements for the production process of the importer-producers and may not be sold or transferred to others. The new regulation is necessary to prevent the sale of illegally imported textiles, which the GOI feels has created unfair trading and inflicted losses for Indonesia's local textile producers. The decree went into effect on October 22, 2002, but does not apply to transactions before that date, as long as products arrived within 30 days of the decree.

The textile industries are concerned that this decree may be in conflict with a Decree No. 141/MPP/Kep/3/2002 (which is still valid), which stipulates that both general importers and importer-producers can import textiles and textile products, as long they have a special Importers Identification Number (NPIK).

Other Issues Impacting Indonesian Textile Producers

Recently, the Ministry of Finance (MOF) rejected the proposal of MOIT to include cotton in a list of strategic commodities, which are not subject to the value added taxes (VAT). Therefore, a VAT of 10 percent on raw cotton, cotton yarn and fabric are still applied. According to the Textile Association (API), in total, a company must pay 10 percent of their operational cost -- at each step of the processing cycle from yarn to fabric to garment. Because of this, textile products from Indonesia will not be able to compete with neighboring countries such as Thailand, Philippines, Vietnam and China.

The MOIT requested the MOF to raise import duties on garments to up to 40 percent. Currently imports duties on garments are 15 percent to 25 percent. This is in order to limit imports so Indonesian producers have a better opportunity to sell their products on the domestic market.

Immediately after the bombing in Bali, the London-based Joint Hull Committee included Indonesia in its Current Exclusion Countries list of War-Risk Zone. The notice, which took effect on Oct 17, 2002, allows insurance and reinsurance firms to cancel or amend all contracts with vessels sailing to and from Indonesia. Exporters and importers, including textile producers, protested the decision as the notice immediately increased marine hull insurance premiums by 3 to 4 percent of a shipment's value. The Minister of Industry and Trade reportedly plans to write a letter of protest to the Lloyds Underwriters Association. According to the Indonesian Exporters Association (GPEI), fees for a 20 feet container for a U.S. destination have been raised by US\$ 500 from \$2,380 to \$2,850.

PSD Table				Units:	MT	
Country:	Indonesia					
Commodity:	Cotton					
		2000		2001		2002
	Old	New	Old	New	Old	New
Market Year Begin		08/2000		08/2001		08/2002
Area Planted	0	0	0	0	0	0
Area Harvested	22,000	22,000	22,000	22,000	0	22,000
Beginning Stocks	52,472	18,300	99,719	29,300	115,831	22,300
Production	6,967	7,000	8,491	10,000	0	12,000
Imports	576,975	570,000	544,316	513,000	0	520,000
TOTAL SUPPLY	636,414	595,300	652,526	552,300	115,831	554,300
Exports	3,266	26,000	3,266	20,000	0	20,000
USE Dom. Consumption	522,544	530,000	522,544	500,000	0	500,000
Loss Dom. Consumption	10,886	10,000	10,886	10,000	0	10,000
TOTAL Dom. Consumption	533,430	540,000	533,430	510,000	0	510,000
Ending Stocks	99,719	29,300	115,831	22,300	115,831	24,300
TOTAL DISTRIBUTION	636,415	595,300	652,527	552,300	0	554,300

PSD Table				Units :	Bales	
Country:	Indonesia			Conversion : 0.004593		
Commodity:	Cotton					
		2000		2001		2002
	Old	New	Old	New	Old	New
Market Year Begin						
Area Planted	0	0	0	0	0	0
Area Harvested	22,000	22,000	22,000	22,000	0	22,000
Beginning Stocks	241	84	458	135	532	102
Production	32	32	39	46	0	55
Imports	2,650	2,618	2,500	2,356	0	2,388
TOTAL SUPPLY	2,923	2,734	2,997	2,537	532	2,546
Exports	15	119	15	92	0	92
USE Dom. Consumption	2,400	2,434	2,400	2,296	0	2,296
Loss Dom. Consumption	50	46	50	46	0	46
TOTAL Dom. Consumption	2,450	2,480	2,450	2,342	0	2,342
Ending Stocks	458	135	532	102	532	112
TOTAL DISTRIBUTION	2,923	2,734	2,997	2,537	532	2,546

Note : The MY00/01 and MY01/02 import in PSD table does not reflect data published by the BPS in Trade Matrix table, because by all accounts, the BPS data does not closely reflect to the actual level of cotton imports.

Import Trade Matrix					
Country:	Indonesia				

Commodity:	Cotton			Unit : MT	
Time period:	Aug-Jul				
Imports for	1999/2000		2000/2001		2001/2002
U.S.	97	U.S.	243	U.S.	160
Others		Others		Others	
Australia	161	Australia	404	Australia	162
China	67	China	45	Ivory Coast	16
Ivory Coast	17	Pakistan	42	Syrian Arab Rep	15
Syrian Arab Rep.	14	Ivory Coast	21	Brazil	15
Benin	9	Syrian Arab Rep	15	Benin	8
Pakistan	8	Benin	13	China	7
Burkina Faso	6	Tanzania	6	Pakistan	6
Uzbekistan	6	Uzbekistan	6	Tanzania	6
Mexico	5	Mexico	4	Hong Kong	4
Tanzania	4	Brazil	3	Argentina	4
Total for Others	297		559		243
Others not listed	56		78		60
Grand Total	450		880		463

Source :Central Bureau of Statistics (BPS)

Exchange Rates

Exchange Rate (Rp./1US\$) on Period Month Ending Basis												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1997	2387	2403	2418	2443	2458	2450	2528	2190	3350	3700	3740	5700
1998	13513	9377	8740	8211	10767	15160	13850	11700	11314	9142	7755	8100
1999	9419	8992	8778	8632	8179	6750	6989	7736	8571	6949	7439	7161
2000	7414	7517	7598	7988	8728	8742	9055	8370	8891	9483	9524	9385
2001	9488	9914	10460	12117	11423	11436	9744	9045	9696	10358	10476	10450
2002	10383	10222	9655	9316	8785	8730	9108	8867	9015	9233	8973	

Source : Central Bureau of Statistics (BPS) and Business Indonesia Daily newspaper.

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